MEDIA, PA — Congressman Joe Sestak (D-PA) has supported federal actions already taken to provide improved access and affordability for higher education and has requested support from a number of Federal agencies to address new emerging threats to funding for student loans.

The 110th Congress has demonstrated a strong commitment to expanding accessibility to higher education, curbing college costs, and cleaning up the student loan industry. The College Cost Reduction and Access Act of 2007 (CCRAA) – which the congressman co-sponsored and was signed into law on September 27, 2007 - provides the single largest increase in college aid since the GI bill, at no new costs to taxpayers. Additional improvements to the higher education system are included in the recent reauthorization of the Higher Education Act. This legislation passed the U.S. House of Representatives on February 7 and awaits action in the U.S. Senate.

However, ongoing disruptions in global bond markets have recently begun to reach the market for funding U.S. student loans. Yesterday, the Pennsylvania Higher Education Assistance Agency (PHEAA) announced that it will temporarily suspend its activities as a Federal Family Education Loan Program (FFELP) lender, effective March 7, 2008. This means that PHEAA will no longer be making new student loans from its own funds. However, PHEAA has been working closely with Pennsylvania banks and educational institutions to ensure that there is no interruption in availability of loans under FFELP.

In the present capital markets environment, student loan lenders across the country have had difficulty raising the money necessary to create new loans. If this continues over a longer period of time, the shortage of capital would force lenders to tighten their credit standards, raise borrower fees, and, most concerning, limit the number of loans they provide students. These practices would affect everyone, including the middle class, but disproportionately affect low-income and minority students — the same students who already face incredible challenges in attaining a post-secondary degree.

"Over the past five years, the rising costs of earning a college degree have driven students to rely increasingly on federal and private loans to finance their education. Now, this increased demand comes at a time when the student loan industry faces a credit crisis that threatens to limit the access and affordability of student loans," said Congressman Sestak. "The importance of a college or post-secondary education in today's global economy is undeniable. Therefore, it is imperative for our country to take action and keep these opportunities in the reach of all students. Congress has already taken action to increase accountability among student lenders, provide loan protections for students, and curb the costs of post-secondary education.

Specifically, the CCRAA increases the maximum college Pell Grant scholarship by at least $1,090 over the next five years, while expanding eligibility through needs analysis to include more students with financial need. The legislation also reduces the burden on graduates struggling to repay loans by guaranteeing that they will not be required to pay more than 15% of their discretionary income in loan repayments each year.

Further, in the House-approved Higher Education Act, the Pell Grant Program is strengthened and reauthorized at a higher maximum amount than what was included as part of the CCRAA, raising the maximum from $5,800 to $9,000. If approved by the Senate, this legislation would make Pell grants available year-round and broaden Pell grant accessibility to part-time students.

It also is necessary to hold institutions and states accountable for keeping higher education affordable by reining in skyrocketing tuition prices. Institutions are now required to provide justification for tuition hikes and enumerate their plans for lowering costs. Additionally, the Education Department must now create “higher education price increase watch lists” that report the full price of tuition and fees, as well as the cost of room and board for students living on campus, so that students and their families can accurately compare college costs.

By alleviating student reliance on private loans, these pieces of legislation can help reduce the burden so that all of America’s young people — regardless of financial status — have the opportunity to realize their dream of a college education.

At the same time, the Congressman understands the importance of available and affordable student loans in the total mix of financing options for students and their families. For that reason, he has written to Chairman of the Federal Reserve Ben S. Bernanke, Secretary of the Treasury Henry M. Paulson, Jr. and Secretary of Education Margaret Spellings requesting that their organizations use all existing authorities to ensure continued availability of funding for student loan programs.

In our own state, the Congressman also believes it is imperative for PHEAA to quickly complete its plan for improved standards of governance necessary to ensure investor confidence in its programs. PHEAA has a long history of providing innovative and essential support for the students and educational institutions in our state. That legacy must continue. It is essential that PHEAA reflect the highest standards of fiscal management and compliance with federal policies and programs.

"America’s economic security depends on our ability to prepare students to compete for, and win, the best jobs in a global, 21st-century economy. Our country needs innovative strategies to produce a competent and confident workforce second to none in the world" said Congressman Sestak. "Although Congress has worked hard to address these concerns, this challenge posed by global credit markets requires that political, educational, and financial leaders nation-wide commit to a plan that will allow the doors of opportunity to remain open to deserving students."